

THE GEORGE WASHINGTON UNIVERSITY
SCHOOL OF GOVERNMENT
WASHINGTON, DISTRICT OF COLUMBIA

BUDGET FORMULATION AND EXECUTION
IN THE BUREAU OF AERONAUTICS

For

NAVY GRADUATE COMPTROLLERSHIP PROGRAM
Business Administration 268A
Dr. A. Rex Johnson

Prepared by

Howard M. Humphrey
Major, United States Marine Corps

January 1956

THE UNIVERSITY OF CHICAGO
PRESS
CHICAGO, ILLINOIS, U.S.A.

THE UNIVERSITY OF CHICAGO PRESS
CHICAGO, ILLINOIS, U.S.A.

THE UNIVERSITY OF CHICAGO PRESS
CHICAGO, ILLINOIS, U.S.A.

THE UNIVERSITY OF CHICAGO PRESS
CHICAGO, ILLINOIS, U.S.A.

CHICAGO, ILLINOIS, U.S.A.

TABLE OF CONTENTS

	Page
LIST OF ILLUSTRATIONS	iii
PREFACE	iv
Chapter	
I. ORIGIN AND DEVELOPMENT	1
History	
Organizational Development	
II. BUDGET PREPARATION	12
Budget Request	
Plans to Dollars	
Functions of Comptroller Division	
Review	
III. APPORTIONMENT AND BUDGET EXECUTION	27
Apportionment Request	
Reviews	
Types and Use of Appropriations	
IV. SUMMARY	35
BIBLIOGRAPHY	37

LIST OF ILLUSTRATIONS

Figure	Page
1. Bureau of Aeronautics, Organization Chart	7
2. Bureau of Aeronautics, Comptroller Division, Organization Chart	18

CONTENTS

	Page
I	1
II	2
III	3

PREFACE

The general objective of this paper is to examine the functions of the organization of the Bureau of Aeronautics in budget formulation and execution. The comprehensiveness of the subject is appreciated, and therefore it is intended to refrain from describing in detail any of the functions involved except in those instances where it is necessary to present details as published by the Bureau in order to tie together the various facets of overall operations.

It should be emphasized that the budget process as presented in this paper is derived by piecing together various directives of the Bureau of Aeronautics, Navy Department, and Department of Defense Lecture outlines as presented by the Comptroller Division and from personal interviews. No one document is available which presents a broad picture of the overall functioning of this bureau in the budgetary process.

In view of the fact that the bureau is responsible for administration of such a large portion of the Navy budget it appears that students of comptrollership should be informed of its financial operations. It is anticipated that this paper will aid in providing such information.

The second chapter is devoted to the study of the
 properties of the function $f(x)$ and its derivatives.
 The third chapter is devoted to the study of the
 properties of the function $f(x)$ and its derivatives.
 The fourth chapter is devoted to the study of the
 properties of the function $f(x)$ and its derivatives.
 The fifth chapter is devoted to the study of the
 properties of the function $f(x)$ and its derivatives.
 The sixth chapter is devoted to the study of the
 properties of the function $f(x)$ and its derivatives.
 The seventh chapter is devoted to the study of the
 properties of the function $f(x)$ and its derivatives.
 The eighth chapter is devoted to the study of the
 properties of the function $f(x)$ and its derivatives.
 The ninth chapter is devoted to the study of the
 properties of the function $f(x)$ and its derivatives.
 The tenth chapter is devoted to the study of the
 properties of the function $f(x)$ and its derivatives.

CHAPTER I

ORIGIN AND DEVELOPMENT

In order to provide a foundation for this task it appears desirable to examine briefly the history of the Bureau of Aeronautics and to trace the development of its present organization.

History

Before the establishment of the Bureau of Aeronautics in 1921, naval aircraft had been handled in a manner similar to that of surface ships, with various bureaus held responsible for different parts of the planes and related equipment. The Bureau of Construction and Repair had cognizance over aircraft hulls; the Bureau of Engineering over power plants; Ordnance over bombs, guns, and ammunition; Navigation over flight instruments and personnel; Yards and Docks over bases and other installations. During most of the period from 1914 to 1919 there existed an Office of Naval Aeronautics under a director who coordinated the activities of the various bureaus performing services for the Naval Air Arm. The Office of Naval Aeronautics was originally part of the Office of the Secretary of the Navy but was transferred to the cognizance of the Chief of Naval Operations when the latter office was established in 1915.

The Bureau of Aeronautics was formally established on August 10, 1921, as authorized by a law enacted by Congress on July 12, 1921.¹

¹U. S. Statutes at Large, Volume 42, Sec. 8, Chapter 44, p. 140

This action allowed the concentration in a single bureau of all the aeronautical material and technical functions. If such functions had remained divided among the various naval technical agencies there would very likely have resulted a mass of confusion twenty years later during the massive expansion for World War II. The Bureau of Aeronautics was concerned primarily with designing, building, fitting out, and repairing of Naval and Marine Corps aircraft. However, even after the establishment of the Bureau of Aeronautics other bureaus retained many of the functions that might have been placed in the new bureau. However, all bureaus performing work under the cognizance of the Bureau of Aeronautics were required to conform to rules and specifications as dictated by the Bureau of Aeronautics.¹

Throughout the period 1921 to 1939, the Bureau of Aeronautics remained small and its administrative organization underwent few changes. With the absence in the Office of the Chief of Naval Operations of an aviation representative specifically assigned to the task of supervising aviation, it was natural that the various Chiefs of Naval Operation turned to the Chief of the Bureau of Aeronautics for advice on air matters about which most of them were relatively uninformed. The duty of making recommendations to the various bureaus on development of aviation equipment coming under their cognizance considerably increased the influence of the Bureau of Aeronautics throughout the Naval establishment.

With the fall of France in 1940, Congress authorized an increase from 4500 to 15,000 planes for the Navy.² With this expansion in aircraft and a

¹Archibald D. Turnbull and Clifford L. Lord, History of United States Naval Aviation (New Haven: Yale University Press, 1949), p. 190

²Ibid, p. 313

similar base development program, the Bureau was called upon to perform a type of planning unheard of before. This brought on the revival of the position of the Assistant Secretary of the Navy for Air in 1941.

The fact that aviation was to play a larger part than had been anticipated revealed a need for a change in the naval organization. The Bureau of Aeronautics found itself trying to administer a program which reached into every part of the naval establishment. The Bureau of Aeronautics possessed authority to recommend only in a limited number of fields; yet it was necessary that the shipbuilding programs for aircraft carriers be coordinated with aircraft production and training of personnel, if all were to function together properly at the right time and place.

This situation brought about the establishment of the post of Deputy Chief of Naval Operations (Air) and assigned to him the functions of correlating and coordinating the policies, plans, and logistics of Naval aviation. He was charged with the direction of the effort to this end within the bureaus and offices of the Navy Department and in the naval aeronautical operating forces of the several fleets and sea frontiers of the U. S. Navy. The functions of the Bureau of Aeronautics were limited to those concerning the development and supply of material and equipment.

Organizational Development

Since 1921, the Bureau of Aeronautics organization has been in constant evolution to adapt itself to the changing demands of Naval Aviation. Beginning about 1940, and until mid 1945, the organization expanded greatly

whether new financial progress, the House and Senate have a
 type of financial progress at present. This progress on the part of the
 position of the financial progress of the House in 1911.

The fact that a financial progress was made in 1911 is a fact
 which is a fact for a number of years in the past. The
 progress of the financial progress of the House in 1911 is a fact
 which is a fact for a number of years in the past. The progress of
 the financial progress of the House in 1911 is a fact which is a fact
 for a number of years in the past. The progress of the financial
 progress of the House in 1911 is a fact which is a fact for a
 number of years in the past. The progress of the financial progress
 of the House in 1911 is a fact which is a fact for a number of
 years in the past. The progress of the financial progress of the
 House in 1911 is a fact which is a fact for a number of years in
 the past. The progress of the financial progress of the House in 1911
 is a fact which is a fact for a number of years in the past.

The progress of the financial progress of the House in 1911 is a
 fact which is a fact for a number of years in the past. The
 progress of the financial progress of the House in 1911 is a fact
 which is a fact for a number of years in the past. The progress of
 the financial progress of the House in 1911 is a fact which is a
 fact for a number of years in the past. The progress of the financial
 progress of the House in 1911 is a fact which is a fact for a
 number of years in the past. The progress of the financial progress
 of the House in 1911 is a fact which is a fact for a number of
 years in the past. The progress of the financial progress of the
 House in 1911 is a fact which is a fact for a number of years in
 the past. The progress of the financial progress of the House in 1911
 is a fact which is a fact for a number of years in the past.

Financial Progress

Since 1911, the House of Representatives has made a
 considerable progress in the financial progress of the House. The
 progress of the financial progress of the House in 1911 is a fact
 which is a fact for a number of years in the past. The progress of
 the financial progress of the House in 1911 is a fact which is a
 fact for a number of years in the past. The progress of the financial
 progress of the House in 1911 is a fact which is a fact for a
 number of years in the past. The progress of the financial progress
 of the House in 1911 is a fact which is a fact for a number of
 years in the past. The progress of the financial progress of the
 House in 1911 is a fact which is a fact for a number of years in
 the past. The progress of the financial progress of the House in 1911
 is a fact which is a fact for a number of years in the past.

to meet the needs of Naval Aviation in World War II. Then the organization contracted to a size and pattern adapted to post war needs. Events in Korea again required expansion starting in late June of 1950. The increasingly tense international situation since then has brought about the reactivation and modernization of many of the mothballed aircraft carriers, and has caused the procurement of naval aircraft, guided missiles, target drones, and related aeronautical equipment to be greatly accelerated and many air stations to be reactivated and expanded.

Reorganization of the Bureau of Aeronautics was accomplished in October, 1945, based on a pattern established by the Bureau of Aeronautics Post War Planning Board.¹ The organization was developed around three levels of responsibility and control, the first level being the Chief of the Bureau and Deputy Assistant Chief, which included four staff divisions. The second level was the Assistant Chief for Material and Services and Assistant Chief for Research and Development. The third level consisted of operating or line divisions. The staff divisions which report directly to the Deputy Assistant Chief were established to serve the entire Bureau. The four staff divisions consisted of Plans, Coordination, Aircraft Logistics, Fiscal, and Personnel and Office Services. The primary interest for purposes of this paper is in the plans and coordination and fiscal division of the staff and how their functions are meshed with those of the operating divisions in budget formulation and execution.

The line divisions in the Bureau of Aeronautics were divided at the

¹R. Adm. T. S. Combs, Statement of Organizational and Management Policy of the Bureau of Aeronautics, 16 October 1952.

to meet the needs of the people of the United States. The Commission was organized in 1946 and has since that time been working to improve the health of the people of the United States. The Commission has been successful in many of its efforts, and it is confident that it will continue to be successful in the future.

The Commission is organized into three main divisions: the Division of Health, the Division of Education, and the Division of Research. The Division of Health is responsible for the health of the people of the United States. The Division of Education is responsible for the education of the people of the United States. The Division of Research is responsible for the research of the people of the United States. The Commission is also responsible for the health, education, and research of the people of the United States.

The Commission is organized into three main divisions: the Division of Health, the Division of Education, and the Division of Research. The Division of Health is responsible for the health of the people of the United States. The Division of Education is responsible for the education of the people of the United States. The Division of Research is responsible for the research of the people of the United States. The Commission is also responsible for the health, education, and research of the people of the United States.

time of the reorganization in 1945 into two functional areas, the first being the Assistant Chief for Research and Development and the second the Assistant Chief for Materials and Services. Each assistant chief is considered to be an extension of the vertical lines of authority from the Deputy and Assistant Chief and is responsible for a broad phase of the Bureau's program.

Prior to the passage of the National Security Act Amendments of 1949,¹ the Navy recognized the growing importance of the fiscal management function. In 1946 the Navy recommended to Congress a revised appropriation structure based along program and performance lines which paralleled the Hoover Commission recommendations to be submitted in 1949.² Prior to this time the Navy had coordinated the budget with progress and statistical reporting, established property accounting on an item and dollar basis, used a revolving stock fund to finance common usage items on an issue basis and employed commercial type accounting at major activities. However, no integrated functional financial system existed in the Department of the Navy, nor were many of such functions performed on a more than a token basis. Subsequently the office of the Comptroller of the Navy was established in accordance with Title IV, National Security Act Amendments of 1949. The Charter of June 1, 1950, as issued by the Secretary of the Navy, establishing the Office of the Comptroller, and was revised on August 26, 1952. The

¹Public Law 216, National Security Act of 1947 and 1949 Amendments.

²Hoover Commission and Staff Reports (McGraw-Hill, 1949)

establishment of the comptroller organizations in bureaus, headquarters, offices, and field activities of the Navy and Marine Corps was directed by the Secretary of the Navy in November, 1953.¹ In accordance with this directive the fiscal division of the Bureau of Aeronautics was redesignated as the "Comptroller Division" and reorganized. The organization of this staff division and an operating or line division will be discussed in Chapter II.

Effective on August 1, 1955, a change in the staff organization of the Bureau of Aeronautics was established.² This change established a new staff group titled "Plans and Programs," headed by an assistant chief. This group absorbed the functions and personnel of Plans Coordination Division and was assigned increased responsibility for program planning and coordination. Also a change was made at the assistant chief level which divided the responsibilities previously assigned to the Assistant Chief for Material and Services between the Assistant Chief for Procurement and the Assistant Chief for field activities.

Generally speaking, the organization structure of the Bureau of Aeronautics is primarily as it was upon completion of reorganization in October, 1946. The only changes which could be considered variations from the normal decentralization of responsibility then established would be those actions which placed the staff group for plans and programs on the same executive level with the operating divisions; and the reorganization

¹Department of the Navy, Office of the Secretary, SecNav Instruction 5400.4 of 18 November 1953, Washington, D. C.

²Department of the Navy, Bureau of Aeronautics, BuAer Notice 5430 of August 1, 1955, Washington, D. C.

the National Unit for Child Welfare.

Generally speaking, the organization structure of the United States Government is primarily as it was developed in connection with the Civil War. The only change made since the Civil War is the Federal Reserve System, which was established in 1913. The Federal Reserve System was established to provide a central bank for the United States, and to regulate the money supply. The Federal Reserve System is composed of the Federal Reserve Board, the Federal Reserve Banks, and the Federal Reserve Note. The Federal Reserve Board is the central authority, and the Federal Reserve Banks are the operating divisions. The Federal Reserve Note is the currency of the United States.

Department of the Navy, Office of the Secretary, Room 1000, 4000
1600, 1610, 1620, 1630, 1640, 1650, 1660, 1670, 1680, 1690, 1700, 1710, 1720, 1730, 1740, 1750, 1760, 1770, 1780, 1790, 1800, 1810, 1820, 1830, 1840, 1850, 1860, 1870, 1880, 1890, 1900, 1910, 1920, 1930, 1940, 1950, 1960, 1970, 1980, 1990, 2000, 2010, 2020, 2030, 2040, 2050, 2060, 2070, 2080, 2090, 2100, 2110, 2120, 2130, 2140, 2150, 2160, 2170, 2180, 2190, 2200, 2210, 2220, 2230, 2240, 2250, 2260, 2270, 2280, 2290, 2300, 2310, 2320, 2330, 2340, 2350, 2360, 2370, 2380, 2390, 2400, 2410, 2420, 2430, 2440, 2450, 2460, 2470, 2480, 2490, 2500, 2510, 2520, 2530, 2540, 2550, 2560, 2570, 2580, 2590, 2600, 2610, 2620, 2630, 2640, 2650, 2660, 2670, 2680, 2690, 2700, 2710, 2720, 2730, 2740, 2750, 2760, 2770, 2780, 2790, 2800, 2810, 2820, 2830, 2840, 2850, 2860, 2870, 2880, 2890, 2900, 2910, 2920, 2930, 2940, 2950, 2960, 2970, 2980, 2990, 3000, 3010, 3020, 3030, 3040, 3050, 3060, 3070, 3080, 3090, 3100, 3110, 3120, 3130, 3140, 3150, 3160, 3170, 3180, 3190, 3200, 3210, 3220, 3230, 3240, 3250, 3260, 3270, 3280, 3290, 3300, 3310, 3320, 3330, 3340, 3350, 3360, 3370, 3380, 3390, 3400, 3410, 3420, 3430, 3440, 3450, 3460, 3470, 3480, 3490, 3500, 3510, 3520, 3530, 3540, 3550, 3560, 3570, 3580, 3590, 3600, 3610, 3620, 3630, 3640, 3650, 3660, 3670, 3680, 3690, 3700, 3710, 3720, 3730, 3740, 3750, 3760, 3770, 3780, 3790, 3800, 3810, 3820, 3830, 3840, 3850, 3860, 3870, 3880, 3890, 3900, 3910, 3920, 3930, 3940, 3950, 3960, 3970, 3980, 3990, 4000, 4010, 4020, 4030, 4040, 4050, 4060, 4070, 4080, 4090, 4100, 4110, 4120, 4130, 4140, 4150, 4160, 4170, 4180, 4190, 4200, 4210, 4220, 4230, 4240, 4250, 4260, 4270, 4280, 4290, 4300, 4310, 4320, 4330, 4340, 4350, 4360, 4370, 4380, 4390, 4400, 4410, 4420, 4430, 4440, 4450, 4460, 4470, 4480, 4490, 4500, 4510, 4520, 4530, 4540, 4550, 4560, 4570, 4580, 4590, 4600, 4610, 4620, 4630, 4640, 4650, 4660, 4670, 4680, 4690, 4700, 4710, 4720, 4730, 4740, 4750, 4760, 4770, 4780, 4790, 4800, 4810, 4820, 4830, 4840, 4850, 4860, 4870, 4880, 4890, 4900, 4910, 4920, 4930, 4940, 4950, 4960, 4970, 4980, 4990, 5000, 5010, 5020, 5030, 5040, 5050, 5060, 5070, 5080, 5090, 5100, 5110, 5120, 5130, 5140, 5150, 5160, 5170, 5180, 5190, 5200, 5210, 5220, 5230, 5240, 5250, 5260, 5270, 5280, 5290, 5300, 5310, 5320, 5330, 5340, 5350, 5360, 5370, 5380, 5390, 5400, 5410, 5420, 5430, 5440, 5450, 5460, 5470, 5480, 5490, 5500, 5510, 5520, 5530, 5540, 5550, 5560, 5570, 5580, 5590, 5600, 5610, 5620, 5630, 5640, 5650, 5660, 5670, 5680, 5690, 5700, 5710, 5720, 5730, 5740, 5750, 5760, 5770, 5780, 5790, 5800, 5810, 5820, 5830, 5840, 5850, 5860, 5870, 5880, 5890, 5900, 5910, 5920, 5930, 5940, 5950, 5960, 5970, 5980, 5990, 6000, 6010, 6020, 6030, 6040, 6050, 6060, 6070, 6080, 6090, 6100, 6110, 6120, 6130, 6140, 6150, 6160, 6170, 6180, 6190, 6200, 6210, 6220, 6230, 6240, 6250, 6260, 6270, 6280, 6290, 6300, 6310, 6320, 6330, 6340, 6350, 6360, 6370, 6380, 6390, 6400, 6410, 6420, 6430, 6440, 6450, 6460, 6470, 6480, 6490, 6500, 6510, 6520, 6530, 6540, 6550, 6560, 6570, 6580, 6590, 6600, 6610, 6620, 6630, 6640, 6650, 6660, 6670, 6680, 6690, 6700, 6710, 6720, 6730, 6740, 6750, 6760, 6770, 6780, 6790, 6800, 6810, 6820, 6830, 6840, 6850, 6860, 6870, 6880, 6890, 6900, 6910, 6920, 6930, 6940, 6950, 6960, 6970, 6980, 6990, 7000, 7010, 7020, 7030, 7040, 7050, 7060, 7070, 7080, 7090, 7100, 7110, 7120, 7130, 7140, 7150, 7160, 7170, 7180, 7190, 7200, 7210, 7220, 7230, 7240, 7250, 7260, 7270, 7280, 7290, 7300, 7310, 7320, 7330, 7340, 7350, 7360, 7370, 7380, 7390, 7400, 7410, 7420, 7430, 7440, 7450, 7460, 7470, 7480, 7490, 7500, 7510, 7520, 7530, 7540, 7550, 7560, 7570, 7580, 7590, 7600, 7610, 7620, 7630, 7640, 7650, 7660, 7670, 7680, 7690, 7700, 7710, 7720, 7730, 7740, 7750, 7760, 7770, 7780, 7790, 7800, 7810, 7820, 7830, 7840, 7850, 7860, 7870, 7880, 7890, 7900, 7910, 7920, 7930, 7940, 7950, 7960, 7970, 7980, 7990, 8000, 8010, 8020, 8030, 8040, 8050, 8060, 8070, 8080, 8090, 8100, 8110, 8120, 8130, 8140, 8150, 8160, 8170, 8180, 8190, 8200, 8210, 8220, 8230, 8240, 8250, 8260, 8270, 8280, 8290, 8300, 8310, 8320, 8330, 8340, 8350, 8360, 8370, 83

of the fiscal division as the comptroller division.

The various staff and line divisions are subdivided into branches and sections according to their major and related functional fields. Thus the general organization of the Bureau of Aeronautics lends itself to the efficient use of program administration and budgeting as presently used. (See Organization Chart Figure One)

The Bureau of Aeronautics' organization operates on an administrative program concept which is described as a natural corollary of program budgeting.¹ This concept is interpreted as the transposing of plans of operation into financial terms through the efforts of the division officers and program officers in trying to maintain balance and consistency among the aviation programs in their decision-making. It must be understood that even though each of these programs covers a major functional field, they depend on one another. The relationships of these programs which fall in major activities are studied in staff meetings at all levels within the Bureau of Aeronautics and are considered a vital factor in preparing estimates for the budget. The administrative programs are established by the Comptrollers' Division under the Direction of the Chief of the Bureau of Aeronautics. They provide the basis for estimating requirements, as mentioned above, and for evaluating performance in terms of program objectives. Each program which covers either a functional field or procurement area, as defined in the manual of program responsibilities maintained by the Comptrollers' Division, is a component part or all of an administrative subhead

¹Department of the Navy, Bureau of Aeronautics, BuAer Inst. 4205.1 of July 26, 1955. (Washington, D.C.) p. 1

²Department of the Navy, Bureau of Aeronautics, Fiscal Division, Bureau Of Aeronautics Manual of Program Responsibilities.

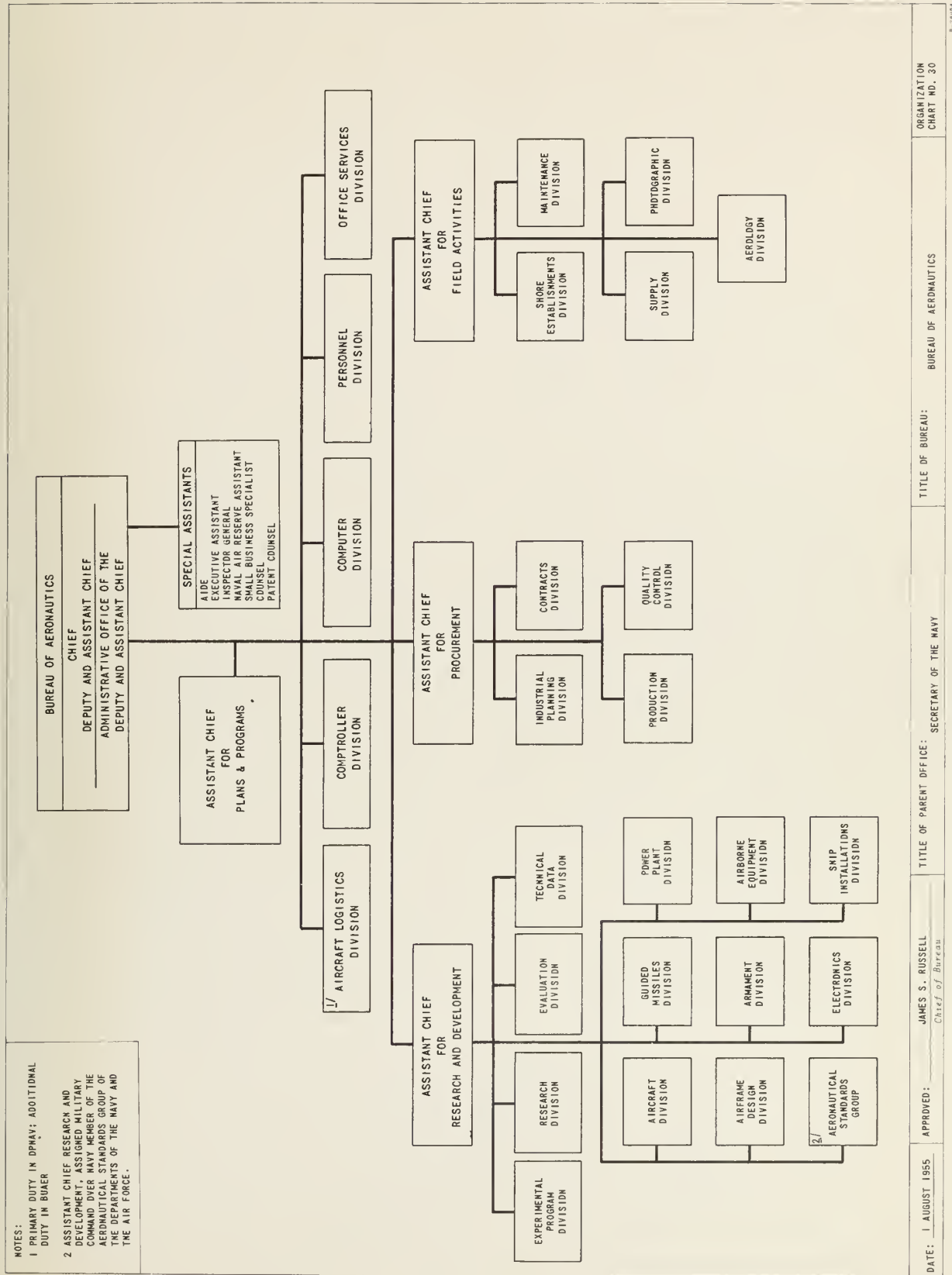


Figure 1

Before going on it is advisable to define "budget activity" and "sub-head" as used in the Bureau of Aeronautics' budget formulation. A budget activity is a term used to designate a major division of a budget. In the fiscal year, 1955, "Aircraft and Facilities, Navy" appropriation had nine budget activities. The budget activities which define the major program contents of a budget are also given an identity in the accounting system. When the activities are used as accounting definition of a major program they are called sub-heads. The essential thing to remember regarding these two terms is that sub-head and activity mean the same thing -- a definition of a major program in an appropriation.

As stated above, each program is either a component part or all of an administrative sub-head. Administrative sub-heads are assigned by the Comptroller of the Navy, with the exception of the area of operations and overhaul of aircraft. These programs also are identified with individual budget activities. The bureau type of organization, founded on the basis of mission responsibility, lends itself readily to program budgeting wherein financial and budgeting responsibility parallel management responsibility. Therefore, within the Bureau of Aeronautics each administrative program is assigned to a single division, but the division may be responsible for various related and unrelated programs.

Since the division director and the program officer are primary actors in the formulation of the budget estimate, a review of their respective responsibilities is in order.

The division director assigned an administrative program is responsible for coordination and management of all phases of work on his

[illegible]

specific program. Each director has broad responsibilities covering the subject of his assignment, and is charged with directing the program from its earliest research and development phase through production or procurement and maintenance to final disposition. He may delegate some of these responsibilities to a program officer who may act for the director in matters pertaining to administration of the program. When a division director delegates responsibilities for program administration to a program officer, it is desirable that the program officer be organizationally located at a level that will permit him to be familiar with the day-to-day operation within the operating area of the entire program. Where the program responsibility has been delegated to a program officer the branch and section heads are expected to be fully cognizant of the fiscal administration of the program in which their respective technical supervisory capacity extends.

The program officer functions relating to program management are organized under three categories as follows:

PLANNING AND BUDGETING PHASE

Definition: The Planning and Budgeting Phase is defined as that phase of program management which covers the period from the inception of a basic requirement up to the initiation of request for procurement or other positive implementing action.

Functions:

1. Maintain file or reference list of current basic planning information relating to projects, functions or requirements, within the scope of the program.
2. Insure that project officers, engineering and technical personnel, are kept currently informed of basic planning information concerning their assigned functions within the program.

3. Plan in conjunction with project officers, engineering and technical personnel so that all necessary projects are programmed for timely accomplishment.

4. Prepare estimates of funds, materials, facilities and manpower for all contractual and project requirements as appropriate.

5. Review in detail with assistance of project officers, engineering and technical personnel as appropriate, Aviation Supply Office plans, estimates and transactions pertaining to the Aviation Supply Office counterpart of the program for conformance with and proper integration with bureau policies and transactions.

6. Formulate the budget for the program including the preparation of detailed justification material.

7. Assist, as necessary, in justifying budget estimates before reviewing authorities.

8. Formulate and keep up to date current program shopping list and establish relative priorities with respect to items therein.

9. Maintain liaison with other program officers having cognizance of related functions in the bureau.

PROCUREMENT PHASE

Definition: The Procurement Phase is that part of program management covering the period between the initiation and obligation stages of procurement for a planned program, including procurement actions necessitated by program and technical changes.

Functions:

1. Obtain or compute requirements. The cognizant procuring divisions should include the requirements of all BuAer divisions, other departments and agencies.

2. Determine the procurability of items and establish appropriate delivery schedules. (See BuAer Inst. 4340.1 para. 5).

3. Develop a schedule for initiating procurement actions for all procurement in the program, taking into consideration lead time, available stock, method of procurement, priority, schedule of commitments and obligations, and other pertinent factors.

4. Responsible for the proper and timely preparation of procurement documents such as Procurement requests, change orders, amendments, allotment and project orders including supplemental documents such as Procurement, Commitment and Obligation Record Cards. (See BuAer Notice 4200 dtd 13 October 1954).

5. Reviews procurement documents for propriety of charges against the program.
6. Keep informed on the status of procurement documents.
7. Attend Procurement Review Board meetings.
8. Maintain such records as are necessary to avoid over-commitment of allocated funds and to accurately reflect current status of commitments. The Program Officer's Report of Obligations and Commitments (NAVAER 2807) published by the Comptroller Division shall be reconciled with the program officer's commitment records.

ADMINISTRATIVE PHASE

Definition: The Administrative Phase is that phase of program management covering the period when work commences on the basis of a signed contract until the contract is closed out after completion or termination.

Functions:

1. Maintain up-to-date contract status records on all program contracts which require the submission of forms DD375.
2. Maintain up-to-date fiscal information on all program contracts for which Financial Status Reports, 45R231, are required.
3. Exercises continuing review for necessity of continuing work under the contracts and initiates action to terminate when indicated.
4. Promptly, after all work is completed and all deliveries are made under a contract, notify Comptroller Division (CR-5) in writing so that final action can be taken by CR-5 to close out the contract.
5. Act as coordinator in conjunction with the engineering and technical personnel for initiating action to protect the Government's interest by timely notification (over signature of contracting officer) to contractors of:
 - a. Their responsibility to correct defects in items under contract.
 - b. Default in delivery.¹

¹Department of the Navy, Bureau of Aeronautics, BuAer Instruction 4205.1, 28 July 1955, Enclosure (1), 1-3.

1. The following information is to be furnished to the Committee on the part of the Government:
2. The following information is to be furnished to the Committee on the part of the Government:
3. The following information is to be furnished to the Committee on the part of the Government:

4. The following information is to be furnished to the Committee on the part of the Government:

ADMINISTRATIVE

5. The following information is to be furnished to the Committee on the part of the Government:

FINANCIAL

6. The following information is to be furnished to the Committee on the part of the Government:

7. The following information is to be furnished to the Committee on the part of the Government:

8. The following information is to be furnished to the Committee on the part of the Government:

9. The following information is to be furnished to the Committee on the part of the Government:

10. The following information is to be furnished to the Committee on the part of the Government:

11. The following information is to be furnished to the Committee on the part of the Government:

12. The following information is to be furnished to the Committee on the part of the Government:

CHAPTER II

BUDGET PREPARATION

Having briefly examined the history and organization for financial management of the Bureau, I will now describe some of the operation of that Bureau in carrying out its responsibilities for budget formulation.

Budget Request

The national budget cycle begins with a letter written for the President of the United States by the Director of the Budget Bureau to all agencies, setting forth the general rules for preparation of the new budget. The Secretary of Defense through his budget staff directs the military departments to start preparing their new budget. This document, sometimes known as Budgetary Guidelines, is the first of a series of notices that go from department to Bureau, and Bureau to division, down the chain of command. As the instructions are sent down the chain of command they become more specific as to the man power and material needed to carry out the defense plan.

During the dissemination of the budget, guideline information, basic plans and decisions have been made by the President and the National Security Council. These plans are reviewed and amplified by the Joint Chiefs of Staff and the appropriate sections of the plan are then assigned to the Army, Navy, and Air Force.¹ The Chief of Naval Operations translates the assignment into Program Objectives which are used as a basis for the Navy budget

¹Arthur Smithies, Budgetary Process in the United States (McGraw-Hill Book Co. Inc.: New York 1955) p. 244

THE BUDGET

Section 1. The Budget is the financial statement of the Government, showing the estimated receipts and expenditures for the year. It is the basis for the Government's financial policy and is subject to the approval of the House of Representatives.

THE BUDGET

The Budget is the financial statement of the Government, showing the estimated receipts and expenditures for the year. It is the basis for the Government's financial policy and is subject to the approval of the House of Representatives. The Budget is prepared by the Department of the Treasury and is presented to the House of Representatives by the Secretary of the Treasury. The House of Representatives has the power to amend the Budget and to pass it into law. The President has the power to veto the Budget and to recommend amendments to it. The Budget is a key document in the Government's financial management and is a subject of great public interest.

During the preparation of the Budget, the Department of the Treasury consults with the various departments and agencies of the Government. The Budget is then presented to the House of Representatives, where it is debated and amended. The House of Representatives then passes the Budget into law. The President then signs the Budget into law. The Budget is then used by the Department of the Treasury to manage the Government's finances. The Budget is a key document in the Government's financial management and is a subject of great public interest.

for the year. When the Navy Program Objectives reach the Bureau of Aeronautics they are interpreted by a plans and program group and translated into specific program objectives for the Bureau of Aeronautics.¹ It is at this point that the program objectives of the Bureau of Aeronautics actually start the mechanical process of being converted from a written plan to a financial statement of cost.

The extent of such program objectives may be appreciated by reference to the statement of missions of the Bureau:

The Bureau of Aeronautics is responsible for design, development, procurement, production, test, fitting out, maintenance, alteration, repair, and material effectiveness of Navy and Marine Corps aircraft (heavier-than-air and lighter-than-air), target drones, and certain guided missiles, including components and equipment thereof, launching, and arresting equipment, and photographic and aerological equipment; the research therein; and all pertinent functions relating thereto.

It is responsible for contracting for naval aircraft and aviation equipment of a technical specialized nature; provides for plant facilities as necessary to meet production programs; schedules, in accordance with requirements, the production of naval aircraft and naval aviation equipment, and assists manufacturers in the production thereof, to the end that the various items may be delivered in the quantities, of the qualities, and at the times required; collaborates with the Bureau of Yards and Docks in the design, construction, and alteration of all aeronautic shore establishments; advises the Bureau of Ships concerning aeronautical features and facilities in naval vessels for the operation of aircraft, guided missiles, and target drones; initially outfits and thereafter replenishes with aeronautical equipment and material all bases afloat and ashore from which naval aircraft operate.

It also supervises the service, repair, overhaul, and salvage of naval aircraft and aviation equipment; redistributes government-owned material and settles contract termination claims under its cognizance.

This bureau exercises management control over and maintains and repairs (within the capacity of station force) all aeronautic shore establishments, including the following principal categories: Naval and Marine Corps Air Stations and Naval and Marine Corps aeronautical training activities, which are employed for supporting the aviation

¹Department of the Navy, Bureau of Aeronautics, Enclosure (1) to BuAer Notice 5430, 1 August 1955, p. 1.

The first, and the last, of these is the question of the future of the world. It is a question which has been asked in many forms, and in many languages, and in many ages. It is a question which has been asked by the philosophers, the poets, the statesmen, and the people. It is a question which has been asked by the great minds of the world, and by the great hearts of the world. It is a question which has been asked by the great spirits of the world, and by the great souls of the world. It is a question which has been asked by the great minds of the world, and by the great hearts of the world. It is a question which has been asked by the great spirits of the world, and by the great souls of the world.

The extent of such program activities was not as extensive as the
in the statement of the Director of the Bureau:

[illegible]

It is responsible for maintaining the high quality and value
equipment of a technical research center; provides the right
to conduct to meet scientific research, technical, in scientific
institutions, in institutions of social sciences and humanities
new, and social institutions in the scientific domain, in the
that the technical field - in the domain of the scientific, in the
realization, and of the three technical institutions and the
Tosco and Doria in the domain, in the domain, and in the domain
scientific from institutions; within the domain of the domain
scientific institutions and institutions in the domain of the domain
of scientific, in the domain, and in the domain, in the domain
historical institutions, in the domain, in the domain, in the domain
most of the domain, in the domain, in the domain, in the domain

10. The following information is being furnished to you for your information only. It is not intended to be used for any other purpose. It is not to be distributed outside your organization. It is not to be used for any other purpose. It is not to be distributed outside your organization. It is not to be used for any other purpose. It is not to be distributed outside your organization.

This document contains information that is exempt from public release under the Freedom of Information Act, 5 U.S.C. 552, and is being furnished to you for your information only. It is not to be distributed outside your agency.

functions of the Chief of Naval Operations and the aviation operating forces of the Naval Establishment; naval aeronautic research, development, and test activities, which conduct necessary research, tests, investigations, and developments to obtain suitable apparatus and material for naval purposes; and Bureau of Aeronautics General Representatives and Bureau of Aeronautics Representatives and Resident Representatives, who serve as this bureau's representatives in the field for administration of its procurement programs.¹

All of these tasks are translated into specific Bureau of Aeronautics program areas which are the responsibility of the designated division directors and program officers mentioned previously.

The individual Bureau of Aeronautics programs are effected not only by the departmental guidelines, over Navy program objectives, etc., but also by special requirements from other sources, such as the Chief of Naval Operations, the Commandant of the Marine Corps, Fleet Commanders and other Navy bureaus. These requirements are generated as a result of the efforts of other commands or activities to accomplish their part of the basic Navy Program Objective as outlined by the Chief of Naval Operations and the Secretary of the Navy. These requirements as presented to the Bureau of Aeronautics individually might consist of anything from a new design for a high performance carrier interceptor aircraft to a new type truck or towing tractor for Marine Aviation. The requests are evaluated and eventually become the responsibility of a program officer in the appropriate program area.

At this point in the budget cycle the officers responsible for individual aeronautical programs are faced with the task of translating the word plans of the naval aeronautical establishment into dollar plans called

¹Department of the Navy, Bureau of Aeronautics, BUAER Instruction 5430.1, 16 October 1952, p. iii.

a budget. Their basis for estimating the number of these dollars consists of experience data gained formally from an elaborate accounting system analysis; from cost estimates derived from technical engineering sources, and estimates from civilian sources.

Plans to Dollars

During this period the program officer is continually reviewing in detail with his assistant or project officers (engineering and technical personnel as appropriate), the aviation supply officers' plans, and the estimates and transactions pertaining to the aviation supply office counterpart of the program. These are reviewed for conformance and integration with bureau policies and plans. He is also preparing in detail the necessary information to justify his portion of the budget as it passes in review up through the various levels to the bureau comptroller, Navy comptroller, Department of Defense, and finally the Congress. As explained in Chapter One, the functions of the program officer in the Bureau of Aeronautics are extremely complex and are the basic foundation for the budget of the Bureau of Aeronautics.

The program officer, however, is not the only official interested in the administration and in compiling the various details which comprise the budget estimate. The program as a whole is continually under observation by the section heads, branch heads, and division directors. As the budget estimates are progressing to the review stage, the division director is extremely cognizant of the actual status as he is charged with the responsibility for timely and systematic review of all administrative programs assigned

...detail. Their task for alluding the matter is clear. It is to
of variousness and extent. It is to be a statement of the
analysis; then, the matter is divided into several parts, and
and estimated from various sources.

Plan of Policy

During the period the project officer is continuously providing
detail and the detailed project officer (including the technical
personnel as appropriate), the project officer, the project officer,
estimates and financial estimates to the project officer. The
committee of the project. These are reviewed by the committee and
information with regard to the project. It is also necessary to have
for necessary information to justify the project to the project officer.
in review on the project. The project officer is the project officer,
committee, committee of the project, and finally the project officer.
in Chapter One, the function of the project officer in the project officer.
historical and scientific studies and the project officer for the
history of the project officer.

The project officer, however, is not the only official interested
in the administration and in managing the project officer. The project officer
the project officer. The project officer is continuously providing
by the project officer, project officer, and project officer. The project officer
estimates are provided to the project officer, the project officer is
extremely significant of the project officer as he is charged with the project officer
the project officer and project officer of all project officer.

to his division and for reporting as necessary to assistant chiefs or higher authority on the progress of such programs. There are many other functions which also have to be tied in with the new estimates such as status of obligated or committed funds for similar or related programs under the present or past years' appropriations.

The justification material required to back up the budget estimates varies with each program. However, there are several basic questions which must be answered, starting with the lowest level of review. The first of the three most important is, "What is the total requirement, taking into consideration all phases of the three types of operating plans?" These plans through necessity must run concurrently, and are the emergency plan, mobilization plan, and peace plan.¹

The second question is, "What are the Bureau's assets and how and what can be applied against the total requirements?" This question can be answered by examining past records.

The next question, and one which is amplified throughout the review process, is, "How much of the deficiency between the total requirements and what really is on hand can be and should be requested in this budget?"

The actual answer to these three simple questions requires a tremendous amount of staff research, most of which falls within the responsibility of the Comptroller's Division of the Bureau of Aeronautics. In general, the Comptroller's Division reviews the programs in detail, coordinates and combines the programs into a balanced naval aviation budget for each appropriation. Since the Comptroller's Division of the Bureau is

¹ E. E. Grimm, Lecture on Navy Planning System and Development of the Department of the Navy Program objective, George Washington University, 30 September 1955.

to the division and the respective agencies in Washington should be
submitted on the progress of each project. There has been other than
with this time to be held in with the two agencies and be able to
object to possible funds for similar or related projects under the
in past years' appropriations.

The question of whether projects to work on the budget of
which with each project. However, there are several basic questions
must be answered, starting with the lowest level of review. The first
the first and foremost is, "What is the total commitment, and how
consideration all cases of the same type of operating plan?" Then
through possibly must not necessarily, and in the same way,
substitution plan, and peace plan.

The second question is, "What is the amount of money and how
what can be applied against the total commitment?" This question is
answered by examining each project.

The next question, and this is significant throughout the re-
process, is, "What part of the balance between the total commitment
what really is or how and should be reviewed in this regard?"

The actual answer to these three basic questions requires a
thorough review of each project, not only of the total commitment
responsibility of the Committee's Division of the Bureau of Economic
in general, but Congressional Division review the program in detail.
associated and business has entered into a formal legal relation and
for such representation. Since the Congressional Division is the Bureau

charged with the responsibility for all its fiscal functions, it is appropriate at this time to examine in detail its various branches and sections with a detailed statement of appropriate functions.

Functions of Comptroller Division

The staff divisions as established in the Bureau of Aeronautics are to serve the entire Bureau in carrying out their assigned tasks. Generally the staff divisions deal directly with the line divisions on matters of operational nature within the division. However, on policy matters relating to all line divisions under an assistant chief, staff divisions worked with and through the assistant chief concerned. The staff organization in the Bureau of Aeronautics is considered a general staff, which is further responsible for assisting the chief in planning and in giving him advice as to performing any task that might be assigned. In this respect, the comptroller division, as a staff division under the deputy and assistant chief of the Bureau, assists all divisions in preparing their budget estimates. The controller's division is divided into two primary functional areas: one for budgeting and one for accounting. Each is headed by an assistant comptroller under the deputy assistant comptroller.

The following is a general presentation of the functions of the comptroller division and its various branches, as shown in Figure 2.

Comptroller Division: FUNCTIONS. The Comptroller Division, a staff division under the Deputy and Assistant Chief, is responsible for developing, coordinating, and maintaining an integrated system of staff service in the financial management area that will provide management authorities with factual data for effective management control; for translating program requirements into the required financial plan and

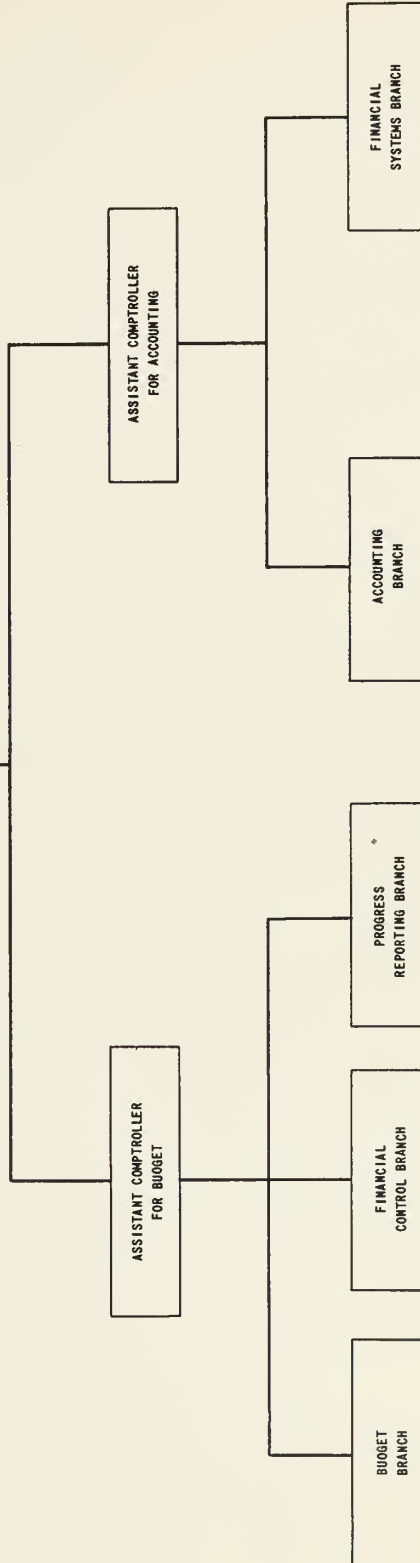
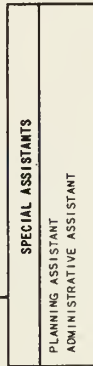
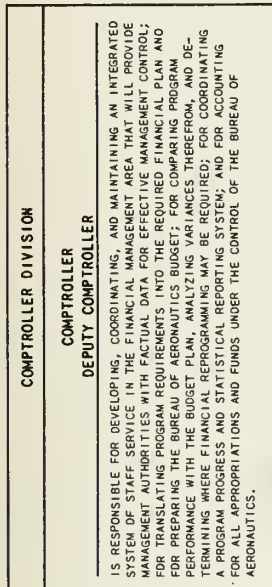
changes with the responsibility for all the financial transactions in the
 corporation of this kind to ensure complete financial control and
 working with a unified management of operations.

Division of Financial Control

The first division is established in the above-mentioned
 to serve the entire business in carrying out their financial plans. These
 the first division deals directly with the financial management in carrying out
 operations during which the financial management is working on financial control
 relating to all the financial matters in business, such as capital, assets,
 debts and other financial management. The first division
 then in the future to investigate the financial management which
 further responsible for carrying out their financial management in the future
 division as a department and then that might be required. In this way
 the financial division, as a small division under the control of the
 chief of the financial division will divide up in financial management
 matters, the financial division is divided into two main branches, such
 as the control of the financial management. Such a division is
 established to serve the financial management.

The following is a general description of the division of the
 financial control and the financial management in business.

General Financial Control. The financial division, a
 staff division under the control and management of the financial
 division, is established to investigate the financial management
 service in the financial management and will provide management
 information with financial management control. In
 financial management, the financial management plan and



DATE: 1 AUGUST 1954

APPROVED:

LLOYD HARRISON
Deputy and Assistant Chief

BUREAU OF AERONAUTICS

COMPTROLLER DIVISION

ORGANIZATION
CHART NO 30-D

Figure 2

for preparing the Bureau of Aeronautics budget; for comparing program performance with the budget plan, analyzing variances therefrom, and determining where financial re-programming may be required; for coordinating a program progress and statistical reporting system; and for accounting for all appropriations and funds under the control of the Bureau of Aeronautics.

Assistant Comptroller for Budget: The Assistant Comptroller for budget is responsible for planning, coordinating, administering, and controlling the budgetary functions, policies, and procedures relating to the appropriations and funds assigned to the Bureau of Aeronautics; for analyzing and reporting on the Bureau's program performance, in matters of financial significance; and for controlling the release of aviation personnel ceilings and funds to BuAer and its field establishments.

I. Budget Branch:

- A. Plans and correlates Bureau budgeting with general management objectives and controls.
- B. Develops, recommends, and administers Bureau budgetary policies and procedures.
- C. Coordinates budgetary aspects of program planning.
- D. Provides guidance and instructions for preparation of budget estimates.
- E. Evaluates and coordinates budget estimates prepared by Bureau operating divisions; and prepares and, with the collaboration of technical divisions, concerned, justified Bureau budget estimates and apportionment requests.
- F. Devises and maintains a system of budgetary controls to ensure a proper balance between approved programs and available funds, adequate re-programming where essential, and administration of funds in conformance with legal and regulatory requirements.
- G. Recommends to the Chief of the Bureau of Aeronautics, the allocation of appropriated funds to budget programs.
- H. Reviews the use of funds by program for compliance with Bureau budget policy, including evaluation of economy and efficiency with which funds are being used, and adjusts program allocations as required.

for reviewing the Bureau of Agricultural Statistics for reviewing and
performance in the field of the Bureau of Agricultural Statistics, and
determining the Bureau of Agricultural Statistics for reviewing and
conducting a review of the Bureau of Agricultural Statistics for
for reviewing and for reviewing and for reviewing and for reviewing
the Bureau of Agricultural Statistics.

General Principles for Review: The Bureau of Agricultural
Statistics is responsible for reviewing, maintaining, and
conducting the Bureau of Agricultural Statistics, and for reviewing
in the appropriate and for reviewing and for reviewing and for reviewing
the Bureau of Agricultural Statistics for reviewing and for reviewing
systems of statistical information; and for reviewing and for reviewing
systems of statistical information and for reviewing and for reviewing
systems.

General Principles:

- A. Plans and procedures for reviewing and for reviewing and for reviewing
and for reviewing and for reviewing and for reviewing and for reviewing
and for reviewing and for reviewing and for reviewing and for reviewing
- B. Reviewing, maintaining, and conducting the Bureau of Agricultural
Statistics and for reviewing and for reviewing and for reviewing and for reviewing
- C. Conducting the Bureau of Agricultural Statistics for reviewing and for reviewing
and for reviewing and for reviewing and for reviewing and for reviewing
- D. Reviewing and for reviewing and for reviewing and for reviewing and for reviewing
and for reviewing and for reviewing and for reviewing and for reviewing
- E. Reviewing and for reviewing and for reviewing and for reviewing and for reviewing
and for reviewing and for reviewing and for reviewing and for reviewing
and for reviewing and for reviewing and for reviewing and for reviewing
- F. Reviewing and for reviewing and for reviewing and for reviewing and for reviewing
and for reviewing and for reviewing and for reviewing and for reviewing
and for reviewing and for reviewing and for reviewing and for reviewing
- G. Reviewing and for reviewing and for reviewing and for reviewing and for reviewing
and for reviewing and for reviewing and for reviewing and for reviewing
and for reviewing and for reviewing and for reviewing and for reviewing
- H. Reviewing and for reviewing and for reviewing and for reviewing and for reviewing
and for reviewing and for reviewing and for reviewing and for reviewing
and for reviewing and for reviewing and for reviewing and for reviewing

- I. Analyzes program performance in relation to budget plans for purposes of recommending remedial action in funding where appropriate.
- J. Forecasts budgetary position for the purpose of evaluating program planning.
- K. Interprets or obtains interpretation of appropriation language or substantive law relative to the availability of appropriated funds for specified programs or purposes.

II. Financial Control Branch:

- A. Plans and correlates within the Bureau aviation allotment and project order policies, procedures, and methods of financing.
- B. Coordinates aviation military and civilian personnel ceiling allocations to stations with funds provided by allotment and project order.
- C. Administers personnel, allotment, and project order field reporting systems.
- D. Reviews with commanding officers and other representatives of aviation field establishments, in conjunction with Bureau operating divisions, the fiscal and personnel aspects of their proposed operating programs.
- E. Evaluates, coordinates, and approves, in acting for the Chief of Bureau, operating division recommendations concerning aviation allotments and project orders.
- F. Allocates personnel ceilings to aviation field establishments.
- G. Analyzes, from a fiscal standpoint and in conjunction with Bureau operating divisions, field performance under funds provided by aviation allotment and project order.
- H. Advises aviation field establishments promptly of anticipated changes in support from aviation funds,
- I. Compiles summary reports on field personnel and on field allotment and project order obligations and expenditures.

III. Progress Reporting Branch:

- A. Formulates guides and criteria for the collection and classification of statistical data as required to present an analysis of quantitative and financial performance.

- B. Coordinates statistical reporting systems in the Bureau and at its field establishments as required to present a quantitative and financial analysis of performance.
- C. Performs special statistical analyses as required.
- D. Develops techniques for appraising and presenting performance for use throughout the Bureau in fiscal planning and financial administration.
- E. Measures and analyzes quantitative and financial performance, program status, and trends against approved programs, budget plans, and schedules.
- F. Reports on results of operations to responsible management levels in BuAer.
- G. Recommends when changes should be made in program and financial planning to provide a more effective balance between the two.
- H. Provides Bureau-wide consultant and advisory services relating to visual means of presentation, encompassing charts, graphs, and illustrations for all purposes.
- I. Prepares visual presentations covering aviation policies, plans, performance, and budgets.

Assistant Comptroller for Accounting: Is responsible for planning, coordinating, administering, and controlling accounting policies, systems, and procedures and for accounting for and maintaining records of all appropriations and funds assigned to the Bureau of Aeronautics.

I. Accounting Branch:

- A. Plans and correlates Bureau accounting with general management objectives and controls.
- B. Develops and administers Bureau accounting policies and procedures, including internal procedures for the issuance of commitment and obligation documents.
- C. Reviews and evaluates the fiscal aspects of Bureau commitment and obligation transactions, including a determination of the validity of obligations.
- D. Approves or obtains approval of all program charges and the application of program balances to individual transactions.

- E. Administers the Bureau's appropriation accounting system.
- F. Maintains the official accounts for and issues financial statements on appropriations and funds for which the Bureau is responsible.
- G. Reconciles Bureau records with Departmental control records.
- H. Negotiates with other Government departments concerning the development of and accounting for cross-service financing.
- I. Coordinates relationships with Navy Regional Accounts Offices.
- J. Conducts studies to determine that all sums committed, obligated, and expended are properly accounted for.

II. Financial Systems Branch:

- A. Supervises and coordinates all budgetary and financial management functions at aviation field establishments.
- B. Acts as special adviser to operating divisions of the Bureau of Aeronautics and to aviation field establishments on all matters of cost reporting, cost accounting, work measurement, industrial funding, and general accounting methods, systems, and procedures pertaining to or affecting field establishments.
- C. Devises, in consultation with operating divisions as necessary, and directs the installation of industrial-type cost accounting general accounting, and work measurement systems for the administration of aviation funds expended and stores and property used throughout the aeronautical field establishment.
- D. Reviews and revises existing field accounting and work measurement systems and reports to meet changing management conditions and to insure compliance with new or revised Bureau, Departmental, and statutory regulations.
- E. Formulates, prepares, and issues directives and manuals pertaining to financial management matters at the field level, including budgeting (procedures for which have been approved by the Assistant Comptroller for Budget), general accounting, cost accounting, work measurement, and related statistical reporting.
- F. Organizes and conducts management surveys of financial and work measurement procedures at aviation field establishments.¹

The organization of the comptroller's division and the related functions reflect the influence of that division in providing technical guidance and direction to the conduct of specific fact-collection systems in areas of budget formulation and in the execution, program analysis, accounting, and progress reports and statistics. This fully coordinated staff service provided by the comptroller's division relieves the division and program officer of much of the burden of detailed fact collection, coordinating, and analysis. When properly performed, comptrollership enables the division officers to spend more time in areas of policy formulation, decision, and program direction.

In performing its correlation and review function, the comptroller division consolidates the budget efforts of all divisions. The requests for funds or budget estimates are prepared on prescribed budget estimating forms and submitted to the comptroller's division where they serve as the staff papers around which budget reviews take place. As indicated previously, the budget estimates are given preliminary reviews at various stages within the divisions as they make their way to the comptroller's office for final consolidation into the Bureau of Aeronautics budget. The Directors of the Planning Division and Bureau Controller study the estimates and organize the necessary justification so that the complete aviation budget can be presented to the Chief of the Bureau of Aeronautics. When it is presented to the Chief, it is in its final form and all the division directors and program officers are called upon to appear as witnesses to justify their estimates fully. The Chief of the Bureau must be satisfied as to the justification of each estimate and the factual data backing it up, as he

must in turn present the budget estimate to the Secretary of the Navy through the Navy Comptroller for consolidation into the over-all Navy budget. He is in effect asking the Secretary of the Navy to support his request before the Secretary of Defense, who insists that every request be supported by fact and be consistent with the financial and program policies which have been received from the President, National Security Council, and Joint Chiefs of Staff through the Director of the Budget Bureau.

Review

The next step in the review process comes after a budget staff of the Secretary of the Navy finishes an informal review. At this time the Chief of the Bureau of Aeronautics formally presents the budget to the Navy Comptroller and appears in person with his Planning Director, Bureau Comptroller, Division Director, and necessary witness representing each program included in the requested funds.

During the hearing, the Navy Comptroller's staff questions the Bureau representatives on points of issue derived from their examination of the justification material. Questions arising out of this hearing are answered, and then the Secretary of the Navy's budget staff makes recommendations, known as mark-up, to him on the funding that should be proposed to the Secretary of Defense. It should be noted that all along the line there are continual changes made in the original estimates. It is interesting to note that the final draft of that portion of the budget for which a program officer may be held responsible to justify may have little

resemblance to what he originally submitted to the Bureau Comptroller as a request. In fact, he is no longer justifying his estimates, but those of the higher levels of command. These mark-ups can be either increases or decreases of the original request. The reduction, if any, may be due to changes in policy from higher authority or new factors which have developed since the submission of the Bureau's budget to the Secretary of the Navy. In any case, the budget goes back to the Bureau for study and revision. If the Bureau feels that certain estimates have been too drastically revised, it may protest the mark-up and submit a request for a reconsideration of the cuts at a second hearing with the Secretary of the Navy. This process is called the "Reclama." At this hearing the final decisions are made as to the contents of the budget as it will be presented to the Secretary of Defense.

The revised budget is again reviewed by the budget staff of the Secretary of Defense, and a mark-up is recommended. At this point a Reclama can be made again. The final decisions are made and the budget is on its way to the Bureau of the Budget. Actually, the Budget Bureau review is combined with that of the Secretary of Defense. During this last review the final dollar amount is approved as the budget for the Department of Defense becomes part of the President's budget. It is then submitted to Congress, where it is examined in Congressional committees and eventually becomes part of an appropriation act which provides funds for the attainment of the original Navy program objectives. These are the same objectives which the program officers converted into a financial estimate about eighteen months previously. However, the effort toward obtaining funds is not yet

finished. Even though the Congress has approved the expenditure of government monies for certain approved objectives, the actual distribution of funds requires further justification through a process known as apportionment. This will be discussed in Chapter III.

CHAPTER III

APPORTIONMENT AND BUDGET EXECUTION

The budget having been approved by Congress becomes effective upon the signature of the President.

Apportionment Request

The appropriations as enacted by Congress do not automatically release to the various agencies and departments within the executive branch of the government those funds which have Congressional approval for use. There is still a long and complex process, called apportionment, through which the distribution of these funds is executed. This system requires that a request for spending authority be made to the Bureau of the Budget through the Secretary of the Navy and the Secretary of Defense. This procedure was reaffirmed and put into general use by the General Appropriation Act of 1950. In general, that act affirmed the legal authority of the President and the Budget Bureau to manage the distribution of spending authority and thereby increased their responsibility for avoiding budget deficiencies in executive agency financing. The Act provided that:

In apportioning any appropriation, reserves may be established to provide for contingencies or to effect savings whenever savings are made possible by or through changes in requirements, greater efficiency of operations or other developments subsequent to the date on which such appropriation was made available.¹

¹64 Stat. L. 595, Sec. 1211

Before the Act of 1950, when the legal authority of the Executive Branch to establish reserves or hold back appropriations was in doubt, the President and the Budget Bureau were circumspect in their use of apportionment in a positive manner. Normally the apportionments proposed by the departments were accepted without much question by the Bureau of the Budget.¹

In brief, the apportionment process is intended to release only those funds required to meet the latest plans, and then on a time basis to prevent an agency from using the funds at a greater rate than would be normally required to expend them over a period of a year. Some of the types of changes in Bureau of Aeronautics plans which engender the use of this apportionment system are:

1. Delays in the anticipated completion of research and development projects, which may prevent an item from being procured in the time period planned.
2. Delay in the delivery schedule of items purchased with funds from an earlier year's appropriation, which reduces the requirement for additional procurement funding.
3. Cancellation or changes in requirements by Chief of Naval Operations or other sources from which the original requirement generated.
4. Delay in new station activation and Overhaul and Repair Department work loads, which have personnel salary impact.
5. Reduction in personnel ceilings allocated to the Bureau of Aeronautics.

In general, the Bureau of Aeronautics recognizes the need for not requesting more funds than are actually required to carry out revised programs, and patterns its actions to the intent of Congress as to time phasing the use of funds. However, the main objection to the apportionment process, as now used by higher review echelons, and the Bureau of the Budget, is the fact that it is used as an additional legal lever which sometimes reduces the level of performance of the stated mission of the Bureau without adequately analyzing the overall effect of the reduction.

The actual apportionment process is initiated by a call from the Bureau of the Budget and the Secretary of Defense for submission of apportionment requests. The Navy Comptroller in turn calls for bureau requests and sets up hearing dates to review them, and indicates necessary back-up or justification material required to support requests which differ from those submitted during budget hearings six months previously. A Bureau of Aeronautics notice, published by the Bureau Comptroller, is then furnished to all divisions, requesting up to date shopping list or other programming data which may have changed since the original budget estimates were made. These requests are submitted in standard form to this financial division by the program and division officer. They are similar to the original budget estimates. However, the request indicates which programs will receive funds during the year and the quarterly rate at which the funds are expected to be obligated. The plans from each division are combined by the comptroller's office and presented to the Chief of the Bureau. Upon release by the Chief of the Bureau, a series of hearings are held by the reviewing authorities and adjustments are made on the funding for each program. During these

hearings the program officers are again called upon to justify each phase of their requests. Again "reclamas" are sometimes necessary in order to carry out a program which was originally funded for by Congress.

Reviews

Program reviews are held by the comptroller's division of the Bureau of Aeronautics to consider program changes and to decide on the best balance among all Bureau requirements. The review takes into consideration all mark-ups of the budget, both going up the line and returning. It is interesting to look into one or two examples of problems encountered by the comptroller division in trying to formulate a balanced overall program within the Bureau during the apportionment process.

For example, an essential research and development project may develop which although it has not been funded in the present budget, must be initiated during the current period. The cost may be estimated as six million dollars, but there may be a reserve of only one million dollars which can be made available by re-programming other projects. The first question which arises is whether or not lower priority projects must be deferred to make up the balance of the estimated deficit (\$5 million) of the new project. This goes back to the three questions which were asked in the original budget preparation process: One, what is the total requirement; two, what Bureau asset can be applied to this requirement; and three, how much of the deficit has to be funded in the current period. In this example, assume the estimated period of time covered by the project is three years. Also assume that the project is broken down into three phases, and the cost of the

hearings the program officers are again asked to justify each of their requests. Again the program officers are asked to justify each of their requests. Again the program officers are asked to justify each of their requests. Again the program officers are asked to justify each of their requests.

Review

Program reviews are held by the controller's division of the Bureau of Aeronautics to consider program changes and to decide on the balance among all program requirements. The review takes into consideration all mark-ups of the budget, both going up the line and returning. It is interesting to look into one or two examples of problems encountered by the controller's division in trying to formulate a balanced overall program within the Bureau during the apportionment process.

For example, an essential research and development project may develop which although it has not been funded in the present budget, must be initiated during the current period. The cost may be estimated at \$2 million dollars, but there may be a reserve of only one million dollars which can be made available by reprogramming other projects. The first question which arises is whether or not lower priority projects must be deferred to make up the balance of the estimated deficit (\$1 million) of the new project. This goes back to the same question which was asked in the original budget preparation process: one, what is the total requirement; two, what does the cost can be applied to this requirement; and three, how much of the deficit has to be funded in the current period. In this example, assume the entire period of the project is three years. Also assume that the project is broken down into three phases, and the cost of the

first is estimated to be less than one million dollars. Since there is one million dollars available in reserves no problem really exists as to funding for the present year.

It should be pointed out, however, that the Bureau must adhere to the language and restrictive sections of the appropriation acts, but may deviate from the actual shopping list which supported the budget if changes in plans require such deviation. However, major deviations from the original plan cause higher echelons' review staffs and Congress to review the next budget with a more critical eye. It has, therefore, been the policy of the Bureau to consult the review echelons and Congressional committees prior to implementing substantial deviations from budget plans even though the funds are legally at the disposal of the Chief of the Bureau of Aeronautics.

Another example of the problems encountered in adjusting programs during apportionment is evident in the procurement field.

In budgeting, program officers base procurement plans in many cases on the capacity of industry to produce given amounts of equipment or supplies during the coming budget year. When it becomes apparent during the year that suppliers are falling below expected delivery quotas, funds planned for obligation to such companies for additional equipment are held in abeyance. Such funds may be diverted to other projects or programs because obligation for their original purpose is not feasible. Consideration of the above and related problems of re-programming is a task of the Comptroller's Division at the time of apportionment.

When the programs have all been reviewed and conflicts between the

programs resolved, the apportionment request is sent in turn to the Navy Comptroller, Secretary of Defense Comptroller, and the Bureau of the Budget for review.

The Budget-Treasury Regulation No. 1 requires that an apportionment be made by 31 August of each year, and also that apportionment be released fifteen days after request is received by the Bureau of the Budget.¹ This is the final approval of authority for expenditure of funds.

Types and Use of Appropriations

When the actual appropriation becomes available to the Bureau of Aeronautics it is received in two basic forms. One is referred to as the annual or one year appropriation, and the other a continuing or no year appropriation.

The annual (one year) appropriations are available for incurring new obligations only during the fiscal year specified in the appropriation act. However, these funds remain available for two additional years for the liquidation or payment of obligations incurred in the initial year. After the initial year of availability, annual appropriations may be used to adjust dollar amounts of existing obligations but not to finance changes in the scope of work covered by the basic obligatory document. At the end of the three-year period (unless extended by Act of Congress) any unexpended balances are transferred to the treasury account "Payment of Certified Claims" or to the surplus of the treasury. Bills for obligations remaining unpaid at that time must be processed as a claim to the

¹Budget-Treasury Regulation No. 1, Bureau of the Budget and Treasury Department. (Washington, D.C.: Government Printing Office, 1955)

General Accounting Office for approval before payment can be made.

The continuing or no year appropriations may be obligated or expended for an indefinite period of time, or until the purpose for which the funds were made available has been accomplished. Although the appropriation act permits this maximum flexibility, the Bureau of Aeronautics administers continuing funds as if each year's appropriation were available to finance only one fiscal year's program. The fiscal year identification is intended to apply to the annual program for which procurement is made, but not necessarily the fiscal year in which procurement is made. When the purpose of a continuing (no year) appropriation has been accomplished, any unexpended and unobligated balance is transferred to the treasury account as in the case of the annual appropriation. Any unpaid obligations at that time are also handled in the same manner as the annual appropriation.¹

The Chief of the Bureau through the comptroller division reviews the final apportionment and makes necessary adjustments in the Bureau programs when required by reduction in requested apportionment. The funds are then allocated on a quarterly basis to each program. This is the final authority for the program officer to initiate the program for which the funds were originally requested. In the case of the program officers within the shore establishment area, funds are distributed as available to the various stations and activities, taking into consideration the station's previous request to the extent possible. The program officer then issues allotment requests and project order requests to the comptroller division to be formalized into

¹Department of the Navy, Bureau of Aeronautics, BuAer Instruction 7301.1, 23 August 1955.

General Accounting Office for various (being referred) and be seen.

The Committee on the Joint Appropriations Committee has no objection to

accounted for as indicated herein at this, or until the amount has been
the funds were also available for other purposes. Although the report
the last report of the House Committee, the House of Representatives has
committee report of the House of Representatives was favorable to the
only the House's report. The House's report is favorable to the
in order to the House's report. The House's report is favorable to the

necessarily the House's report is favorable to the House's report. The House's
of a Committee (the House's report) is favorable to the House's report. The House's
and modified balance is favorable to the House's report. The House's report is
and of the House's report. The House's report is favorable to the House's report.
also favorable to the House's report. The House's report is favorable to the House's report.

The Committee on the House's report is favorable to the House's report. The House's
House's report is favorable to the House's report. The House's report is favorable to the House's report.
then reported by the House's report. The House's report is favorable to the House's report.
adjusted on a quarterly basis by the House's report. The House's report is favorable to the House's report.
for the House's report. The House's report is favorable to the House's report. The House's report is favorable to the House's report.
officially reported. The House's report is favorable to the House's report. The House's report is favorable to the House's report.
estimated and reported by the House's report. The House's report is favorable to the House's report. The House's report is favorable to the House's report.
and reported by the House's report. The House's report is favorable to the House's report. The House's report is favorable to the House's report.
the House's report. The House's report is favorable to the House's report. The House's report is favorable to the House's report.
project which provides for the House's report. The House's report is favorable to the House's report. The House's report is favorable to the House's report.

allotment and project orders and to be phased by quarters to meet the apportionment requirements. The program officers concerned with procurement, send requests to the contract division for conversion into contracts, transfer funds to other bureaus for consolidated procurement by them, and sends purchase requests to other military agencies for procurement. This is essentially the end of the process which started many months previously in a request for funds derived out of a need for materials and services to carry out naval aviation's part in the overall national security program. There are many other details which follow the obligations of the basic appropriation as apportioned by the Bureau of the Budget, such as additions or deletions from the basic estimates due to changes in the over-all security plan. However, these are beyond the scope of this paper.

CHAPTER IV

SUMMARY

An examination of the history of the Bureau of Aeronautics indicates evidence of an orderly growth and arrangement of organization which was compatible with its mission of providing logistic services to the Naval Aeronautical establishment. As Naval aviation grew so did its financial support requirements. And the Bureau adapted its organization for financial management to meet these requirements as efficiently as its know-how would permit.

In the obviously complicated process of budget formulation and execution today the Bureau successfully follows a system of fund management which is based on the manipulation of identifiable programs for the purpose of promoting economy in the use of appropriations. Specific officers are assigned to watch over these programs. And the activities of these officers in requesting and obligating funds in support of such programs are monitored by a comptroller organization which is a staff division under the Chief of the Bureau. This comptroller division provides the fiscal information and coordination of facts and figures or plans and performances which enable the line organization of the Bureau to exercise its financial management functions.

Reference to informal opinions of Bureau personnel indicates some dissatisfaction with the apportionment process as presently executed but this is offset to some extent by recognition of the need for some system of fund control at top echelons which will assure all the economies possible.

In any consideration of budget formulation and execution in the

Bureau however, it is difficult to ignore the remark of an unnamed program officer:

The overall budget review and apportionment process is like skeet shooting. The budget is the "bird" which is thrown by the Bureau Chief across the firing range with each level of review, including Congress, taking pot shots at it. The apportionment process adds the unique feature of picking up the poor bird again and tossing it back to the Bureau Chief while the same review levels shoot at it again. The outcome is that there is a considerable change in the end product.

business however, it is difficult to ignore the work of an immense
officer:

The overall budget review and expenditure process is like
what shooting. The bullet is the "bullet" which is thrown by the
bullet. Chief across the living room with each level of review,
including business, taking out what is. The expenditure
process and the output factor of working on the good thing again
and totaling it up to the bottom line while the same review
levels shoot at it again. The success is that there is a uni-
directional change in the end product.

BIBLIOGRAPHY

Books

- Arthur Smithies, Budgetary Process in the United States. (New York: McGraw-Hill Book Co., 1955)
- Archibald D. Turnbull and Clifford L. Lord, History of United States Naval Aviation. (New Haven: Yale University Press, 1949)
- Hoover Commission and Staff Reports (New York: McGraw-Hill Book Co., 1949)

Public Documents

- Department of the Navy, Office of the Secretary, SecNav Instruction 5400.4 of 18 November 1953, Washington, D. C.
- Department of the Navy, Bureau of Aeronautics, BuAer Notice 5430 of 1 August 1955, Washington, D. C.
- Department of the Navy, Bureau of Aeronautics, BuAer Instruction 4205.1 of 26 July 1955, Washington, D. C.
- Department of the Navy, Bureau of Aeronautics, BuAer Instruction 5205.1 of 28 July 1955, Enclosure (1), 1-3
- Department of the Navy, Bureau of Aeronautics, Enclosure (1) to BuAer Notice 5430, 1 August 1955
- Department of the Navy, Bureau of Aeronautics, BuAer Instruction 5430.1 of 16 October 1952.
- Department of the Navy, Bureau of Aeronautics, BuAer Instructions Changes 18 and 23, 1 January 1955 and 27 June 1955.
- Department of the Navy, Bureau of Aeronautics, BuAer Instruction 7301.1 of 23 August 1955.

Reports

- E. E. Grimm, Lecture on Navy Planning System and Development of the Department of the Navy Program Objective, George Washington University, 30 September 1955.

Bibliography

Books

- Arthur Salts, Industry Process in the United States. (New York: McGraw-Hill Book Co., 1952)
- Archibald D. Wright and Clifford E. Lord, History of United States Naval Aviation. (New Haven: Yale University Press, 1941)
- Government Commission and Staff Reports (New York: McGraw-Hill Book Co., 1944)

Public Documents

- Department of the Navy, Office of the Secretary, Naval Instruction 5400.1 of 18 November 1952, Washington, D. C.
- Department of the Navy, Bureau of Aeronautics, Naval Instruction 5400.1 of 1 April 1952, Washington, D. C.
- Department of the Navy, Bureau of Aeronautics, Naval Instruction 5400.1 of 20 July 1952, Washington, D. C.
- Department of the Navy, Bureau of Aeronautics, Naval Instruction 5400.1 of 28 July 1952, Enclosure (1), 1-3
- Department of the Navy, Bureau of Aeronautics, Enclosure (1) to Naval Instruction 5400.1 of 1 August 1952
- Department of the Navy, Bureau of Aeronautics, Naval Instruction 5400.1 of 16 October 1952
- Department of the Navy, Bureau of Aeronautics, Naval Instruction 5400.1 of 12 and 27 January 1952 and 27 June 1952
- Department of the Navy, Bureau of Aeronautics, Naval Instruction 5400.1 of 23 August 1952

Speeches

- F. E. Smith, Lecture on Navy Planning System and Development of the Department of the Navy Program, George Washington University, 30 September 1952.

Articles

Department of the Navy, Bureau of Aeronautics, Fiscal Division, Bureau of Aeronautics Manual of Program Responsibilities.

Rear Admiral T. S. Combs, Statement of Organizational and Management Policy of the Bureau of Aeronautics, 16 October 1952.

Bureau of the Budget and Treasury Department, Budget-Treasury Regulation No. 1
(Washington, D. C.: Government Printing Office, 1955)

Public Laws

U. S. Statutes at Large, Volume 42, Section 8, Chapter 44.

64 Stat. L. 595, Section 1211

